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FM AMEMBASSY DAMASCUS

TO RUEHC/SECSTATE WASHDC PRIORITY 0133

INFO RUEHEE/ARAB LEAGUE COLLECTIVE PRIORITY

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RUEHGB/AMEMBASSY BAGHDAD PRIORITY 0112

RUEHSA/AMEMBASSY PRETORIA PRIORITY 0063

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RHMFISS/HQ USCENTCOM MACDILL AFB FL PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHEHAAA/WHITE HOUSE WASHDC PRIORITY

C O N F I D E N T I A L DAMASCUS 003261

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TREASURY FOR GLASER/LOEFLER

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SUBJECT: SOUTH AFRICA BUYS INTO 45% OF SYRIAN CELLULAR MARKET

REF: DAMASCUS 01906

Classified By: Charge d'Affaires Stephen Seche, for reasons 1.4 b/d

**¶1.** (C) Local press reported that South African company MTN Group recently purchased Investcom, which owns Areeba, one of the two cellular companies in Syria. Deemed by the press to be a positive step for cellular services in Syria, the 5.5 Billion USD transaction, of which Areeba's share was 1 Billion USD, will provide MTN a 45 percent share of Syria's cellular telephone market. The remaining 4.5 Billion USD comprises Investcom's operations in North Africa, West Africa and other Middle East markets. Osama Yassin, Deputy Managing Director of Areeba in Syria, confirmed the sale and told us he was confident that the current management structure would remain unchanged, at least in the short term (Note:

Management was until recently comprised primarily of Lebanese upper-level managers; when the SARG refused to approve work permits for this expat staff, Areeba was forced to hire less-qualified staff who came mostly from Syria Telecom Establishment (STE), the SARG-controlled national telecoms group. See Reftel. End Note.) The Build-Operate-Transfer contract with STE would not be altered, thus STE will still be able to profit from Areeba's success. The MTN deal would be considered a test case for South African businesses in the region, as many are looking to expand their markets into the Middle East, most probably Iran and the Gulf, said Michael Danke, Counselor at the South African Embassy. Danke told us that MTN Group Chairman Cyril Ramaphosa, former South African politician and founder of South Africa's largest labor union, remains a committed socialist despite his recent business success.

**¶2.** (SBU) Other changes may be afoot in the local cellular market. UAE-based Itesalat has expressed a strong interest in acquiring the third license for cellular operations, a move the SARG has said will be considered for 2008, the earliest date such a license could be issued. (Note: This is the first specific company name we've heard, as previous rumors in the sector suggested that STE would bid to operate as the third provider when the time came. End Note.) Meanwhile SyriaTel and Areeba are each aggressively moving toward more technologically advanced cellular equipment, with both companies launching services that allow mobile users to receive video calls and high-speed Internet feeds on their cellular phones.

¶3. (C) Comment. Evidence over the past year has suggested that the SARG has been trying to increase its control over some of the country's strategic companies and had specifically targeted Areeba, in part because of its previous Lebanese ownership. Although it is unclear how the MTN buyout of Areeba will affect staffing patterns in the long term, statements from SARG officials heralding the country's strictly regulated expatriate labor policy suggest that STE will continue in its pursuit to place Syrians in key jobs in the company. Furthermore, the news of UAE-based Itesalat's interest in operating a third mobile network in Syria falls in line with the SARG's recent willingness to cozy up to investors and companies from the Emirates.

SECHE